

PART A: EXPLANATORY NOTES PERSUANT TO FINANCIAL REPORTING STANDARD 134 (“FRS 134”)**A1. Basis of preparation**

The interim financial statements of Resintech Berhad (“RB”) are unaudited and have been prepared in accordance with Financial Reporting Standard (“FRS”) 134 – Interim Financial Reporting issued by the Malaysian Accounting standards Board (“MASB”) and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and should be read in conjunction with the Group’s audited financial statements for the financial year ended 28 February 2010. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 28 February 2010.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 28 February 2010 except for the adoption of the followings:-

FRSs/IC Interpretations	Effective date
FRS 4 Insurance Contracts	1 January 2010
FRS 7 Financial Instruments: Disclosures	1 January 2010
FRS 8 Operating Segments	1 July 2009
Revised FRS 101 (2009) Presentation of Financial Statements	1 January 2010
Revised FRS 123 (2009) Borrowing Costs	1 January 2010
Revised FRS 139 (2010) Financial Instruments: Recognition and Measurement	1 January 2010
Amendments to FRS 1 and FRS 127: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 January 2010
Amendments to FRS 2: Vesting Conditions and Cancellations	1 January 2010
Amendments to FRS 7, FRS 139 and IC Interpretation 9	1 January 2010
IC Interpretation 9 Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10 Interim Financial Reporting and Impairment	1 January 2010
IC Interpretation 11: FRS 2 - Group and Treasury Share Transactions	1 January 2010
IC Interpretation 14: FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	1 January 2010
Annual Improvements to FRSs (2009)	1 January 2010

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A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted in this interim financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 28 February 2010.

A3. Comparatives

The effects on the financial statements as a result of the adoption of the new and revised FRS are as follows:-

	Previously Reported RM'000	Effects of FRS RM'000	Restated RM'000
<i>Statement of financial positions (extract):-</i>			
Property, plant and equipment	73,306	-	73,306
Prepaid lease payments	-	10,080	10,080
Investment properties	-	(360)	(360)
Property, plant and equipment	<u>73,306</u>	<u>9,720</u>	<u>83,026</u>
<i>Due to effects of FRS117</i>			
Prepaid lease payments	<u>13,591</u>	<u>(10,080)</u>	<u>3,511</u>
<i>Reclassification to conform with presentation of current financial period</i>			
Investment properties	<u>-</u>	<u>360</u>	<u>360</u>

A4. Qualification of Annual Financial Statements

There were no audit qualifications on the financial statements of the Company for the financial year ended 28 February 2010.

A5. Seasonal and cyclical factors

The Group's business operations were not materially affected by any major seasonal or cyclical factors.

A6. Unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows

There were no unusual nature and amounts of items affecting assets, liabilities, equity, net income or cash flows during the current quarter under review.

A7. Material changes in estimates

There were no material changes in estimates of amounts reported in the current quarter under review.

A8. Issuances and repayment of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review.

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A9. Dividend Paid

During the financial period under review, the Company proposed an interim 2.4% tax exempt dividend of RM1.18 million for payment on 15 September 2010.

A10. Segment informationGeographical Segment

In determining the geographical segments of the Group, segment revenue is based on the geographical location of customers.

The Group's financial information analysed by geographical segment as at 31 August 2010 was as follows:

	Current Quarter Ended 31 August 2010		Current Year To-Date Ended 31 August 2010	
	Revenue RM'000	Profit Before Taxation RM'000	Revenue RM'000	Profit Before Taxation RM'000
Malaysia	15,764	1,062	36,611	2,481
Outside Malaysia	5,946	402	9,589	650
	<u>21,710</u>	<u>1,464</u>	<u>46,200</u>	<u>3,131</u>

A11. Valuation of property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

There were no revaluation of property, plant and equipment in these financial statements.

A12. Material events subsequent to the end of the interim period

There no material events subsequent to the current financial quarter ended 28 Feb 2009 up to the date of this report, which is likely to substantially affect the results of the operations of the Group.

A13. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

A14. Changes in contingent liabilities and contingent assets

As at the date of this announcement, there were no material contingent liabilities and contingent assets incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

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A15. Capital Commitments

	Current Quarter 31 Aug 2010 RM' 000	Current Year To-Date 31 Aug 2010 RM' 000
Approved and contracted for		
Purchase of machinery	2,592	2,592
Acquisition of property	2,610	2,610
	<u>2,610</u>	<u>2,610</u>

A16. Contingent Liabilities

	Current Quarter 31 Aug 2010 RM' 000 Group	Current Quarter 31 Aug 2010 RM' 000 Company
Corporate guarantees given to licensed bank for banking facilities granted to subsidiaries	21,597	-
	<u>21,597</u>	<u>-</u>

A17. Significant Related Party Transactions

There were no significant related party transactions during the financial period under review.

A18. Cash and cash equivalents

	At 31 Aug 2010 RM' 000
Cash and bank balances	364
Fixed deposits	150
Bank overdrafts	(5,603)
	<u>(5,089)</u>

PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA LISTING REQUIREMENTS**B1. Review of performance**

The Group achieved revenue of RM46.20 million for the year ended 28 Feb 2010 which is a minimal decrease 2.12% over the previous year corresponding year of RM47.20 million. The Group recorded a profit before taxation of RM3.13 million and profit after taxation of RM2.66 million during this year under review as compared to RM2.50 million and RM2.00 million respectively in the previous year corresponding quarter. The higher profit after taxation is mainly due to lower cost of sales.

B2. Variation of results against preceding quarter

The Group achieved revenue of RM21.71 million for the current quarter under review as compared to RM24.49 million in the previous quarter mainly due to lower demand for HDPE products.

Profit before taxation of RM1.46 million and profit after taxation of RM1.21 million for current financial period under review as compared to profit before taxation of RM1.67 million and profit after taxation of RM1.41 million for the Group. This is mainly due to higher other operating expenses.

B3. Current year prospects

Barring any unforeseen circumstances, the Board expects the Group to continue to achieve satisfactory performance.

B4. Variance of actual and forecast profit

The disclosure requirements for the explanatory notes for the variance of actual profit and forecast profit and for the shortfall in profit guarantee are not applicable.

B5. Income tax

	Current Quarter 31 Aug 2010 RM' 000	Current Year To-Date 31 Aug 2010 RM' 000
Current tax expense	293	586
Deferred tax recognized	(36)	(71)
	<u>257</u>	<u>515</u>

Tax expense for the current quarter ended 31 Aug 2010 is derived based on management's best estimate of the tax rate for the financial year. The effective tax rate for the period presented above is lower than the statutory tax rate principally due to the tax savings arising from the reinvestment allowances available.

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B6. Unquoted investments and/or properties

The Group has not disposed off any investments in any unquoted investments and/or properties during the financial quarter under review.

B7. Quoted and marketable investments

The Group does not have any quoted and marketable investments during the current quarter under review.

B8. Status of corporate proposal

During the quarter under review, the Company announced a proposed bonus issue of 39,200,000 new ordinary shares of RM0.50 each to be credited as fully paid-up on the basis of 2 bonus shares for every 5 existing ordinary shares of RM0.50 each held on an entitlement date to be determine and announced later.

The shareholders had subsequent to this interim period, on 15 October 2010, approved for this corporate exercise. This exercise is now pending approval from Bursa Malaysia.

B9. Group borrowings

The Group's borrowings as at the end of the reporting quarter are as follows:

	Short-Term (Secured) RM'000	Long-Term (Secured) RM'000
Bank overdrafts	5,603	-
Hire purchase	134	25
Trust receipts and bankers' acceptances	16,512	-
Term loans	5,633	6,579
Total	<u>27,882</u>	<u>6,604</u>

B10. Off balance sheet financial instrument

There are no financial instruments with off balance sheet risk as at the date of this report.

B11. Material litigation

Save as disclosed below, neither our Group or our subsidiary companies is engaged in any litigation either as plaintiff or defendant pending since the previous financial period which might materially affect the position or business of the Company or any of its subsidiaries:-

- (i) On 25 August 2003, our subsidiary, Resintech Plastics (M) Sdn Bhd ("RPSB"), filed a claim for RM840,996.26 together with interest against Trend Traders Sdn Bhd ("First Defendant") and its guarantors, namely Ir. Mohamed Salleh bin Yunos, Ir. Othman bin Abdul Rahim ("Third Defendant") and Ir. Zaidi bin Idris (collectively "the Defendants") for goods sold and delivered. The defendants filed their defence on 21 October 2003. The application for summary judgement was heard on 24 February 2004 and the claim was dismissed with costs as the Senior Assistant Registrar ruled that there was triable issue(s). RPSB has on 2 March 2004 filed its

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appeal to the judge in chambers. The judge had then on 13 April 2007 allowed RPSB appeal by setting aside the Order given by the Senior Assistant Registrar on 24 February 2004 and also allowed RPSB to enter summary judgement against all the defendants for the sum of RM981,959.36 (inclusive of late payment interest accrued from 30 June 2003). The defendants had on 7 March 2007 appealed to the Court of Appeal. On 5 February 2008, RPSB has entered into a settlement agreement with Ir. Mohamed Salleh bin Yunos and Ir. Othman bin Abdul Rahim in which case RPSB has managed to recover a sum of RM500,000.00 by way of cash and contra of properties. In view of the settlement, the appeal to Court of Appeal had subsequently been withdrawn on 18 March 2010 by the Defendants. However, RPSB is looking into avenues of executing the judgement obtained against Ir. Zaidi bin Idris such as institution of bankruptcy proceedings.

- (ii) On 5 August 2010, Tenaga Nasional Berhad (“TNB”) has filed a suit against our subsidiary, Resintech Engineering Sdn Bhd (“RESB”) for RM4,380,147.59 together with interest for arrears owing for the consumption of electricity at a land and factory. RESB, being the previous occupant of the land and factory had previously applied to TNB for the supply of electricity. Subsequently, the property was rented/leased to Crystal Bright Plastics Sdn Bhd (“the Tenant”) at the material time and the arrears owing to TNB thereof are attributable to the Tenant although the account holder is RESB. RESB had filed and served its Statement of Defence on 13 September 2010. As at now, RESB has yet to receive any reply from TNB. The solicitors of RESB are of the opinion that RESN has a good defence. .

B12. Dividends

During the financial period under review, the Company proposed an interim 2.4% tax exempt dividend for payment on 15 September 2010.

B13. Basic earnings per share

The basic earnings per share for the current quarter and cumulative year to date are computed as follow:-

	Individual Current Year Quarter 31 Aug 2010 RM'000	Cumulative Current Year To-Date 31 Aug 2010 RM'000
Profit attributable to holders of the parent for the period (RM'000)	<u>1,245</u>	<u>2,675</u>
Number of ordinary shares of RM0.50 each in issue	<u>98,000,000</u>	<u>98,000,000</u>
Basic earnings per share based on the number of shares in issue (sen)	<u>1.26</u>	<u>2.71</u>

Diluted earnings per share is not disclosed herein as the options under the ESOS have not been granted as at 31 August 2010.

B14. Authorisation for issue

RESINTECH BERHAD (341662-X)

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This quarterly report was authorized for issue by the Board of Directors in accordance with the resolution of the directors duly passed.

By order of the Board
RESINTECH BERHAD